



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 1/13/2008

GAIN Report Number: PK8001

Pakistan

Cotton and Products

Cotton Update: 2007/08 Crop Production Reviewed 2008

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Report Highlights:

MY 2007/08 cotton production is revised down from 2.265 MMT to 1.904 MMT due to severe pest attack and unfavorable weather conditions. Cotton leaf curl virus and mealy bugs continued to plague Pakistan's cotton crop. The import forecast is scaled up to meet the textile industry's requirements for fine yarns. Pakistan remains one of the top importers of U.S. Pima cotton.

Includes PSD Changes: No
Includes Trade Matrix: No
Quarterly Report
Islamabad [PK1]
[PK]

Summary

Post's forecast of Pakistan's MY 2007/08 (August-July) cotton production has been further lowered from 10.4 million bales to 8.75 million (480 lb) bales, reflecting a 13 percent decline over the previous marketing year. The Government of Pakistan estimate is 9.1 million (480 lb) bales. Area planted to cotton was lower than targeted, the crop was severely damaged by the cotton leaf curl virus (CLCV) and pesticide-resistant mealy bugs, and harsh weather conditions adversely affected boll size and weight. The sowing of illegal Bt cotton varieties, which were not designed for Pakistan's climatic, crop disease and market conditions, also affected the production and quality of this year's crop. The import forecast has been increased based on the latest arrivals registered in-country. Demand for U.S. extra long staple and upland cotton is strong as Pakistan's textile industry struggles to remain competitive in world markets.

Table 1: Cotton Production, Supply and Demand

Market Year Begin	Pakistan Cotton								
	2005 Revised			2006 Estimate			(HECTARES) (000) BALES(000- 480 Kg) 2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
	08/2005	08/2005	08/2005	08/2006	08/2006	08/2006	08/2007	08/2007	08/2007
Area Planted	0	0	0	0	0	0	0	0	0
Area Harvested	3101	3103	3101	3250	3250	3250	3250	3000	3000
Beginning Stocks	4945	3461	4945	4912	2872	4912	4327	2260	2260
Production	10165	10165	10165	9900	9916	9900	8500	10405	8750
Imports	1615	1615	1615	2298	2343	2298	3250	2485	3515
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	16725	15241	16725	17110	15131	17110	16077	15150	14525
Exports	288	288	288	258	290	258	150	300	140
Use	11500	12056	11500	12500	12556	12500	12000	12545	12310
Loss	25	25	25	25	25	25	25	25	25
Total Dom. Cons.	11525	12081	11525	12525	12581	12525	12025	12570	12335
Ending Stocks	4912	2872	4912	4327	2260	4327	3902	2280	2050
Total Distribution	16725	15241	16725	17110	15131	17110	16077	15150	14525
Stock to Use %	41.669	23.266	41.669	33.915	17.5930	33.915974	32.1152	17.7501	16.3411
Yield	714	713	714	663	664	663	569	755	635

Production

The size of the MY 2007/08 cotton crop has been scaled back from 2.265 MMT to 1.904 MMT. This is a result of unfavorable weather and severe crop damage in the main cotton belts of Punjab and Sindh, mainly due to cotton leaf curl virus (CLCV) and mealy bugs.

Cotton leaf curl virus (CLCV) has become endemic in Pakistan, affecting over 70 percent of this MY's cotton crop. The virus, which causes stunted growth and poor fiber yield, was first reported in 1985. While scientists focus on developing an effective and durable virus

resistant variety, the best control at present is application of pesticides against the insect vector.

Over the past two years, Pakistan has seen a growing invasion of mealy bugs. The insect attacked 12 percent of last year's crop and an alarming 30-35 percent of the 2007 crop. The illegal Bt cotton varieties planted in about 40 percent of Pakistan's cotton region is not the magic bullet many farmers imagined. It was developed to resist chewing insects, mainly the cotton bollworm. The mealy bug is a sucking insect, unaffected by the Bt toxin, which is best controlled through pesticides.

The price of pesticides to combat mealy bugs and the CLCV insect vector nearly doubled in 2007 and supplies were low, allowing the pest infestations to multiply rapidly this growing season.

Cotton Arrivals

As of January 1, 2008, cotton arrivals are 17.75 percent lower compared with arrivals during the corresponding period last year. Total unsold stock with the ginneries remained at 1.49 million bales against 1.61 million bales for the corresponding period in the previous year. Prices are anticipated to rise as domestic production is insufficient to meet the consumption requirement of 12.33 million bales, and the gap will be bridged through imports.

Consumption

Consumption will shrink marginally due to reduced local production, an ongoing power crisis resulting in load-shedding affecting mill operations, and the prevailing law and order situation in the country.

Trade

MY 2007/08 and, indeed, next MY cotton imports are projected to remain strong. Local supply versus consumption requirements have generated a shortfall of about 3.5 million bales, of which 2 million bales will be of short and medium staple cotton. From July-October 2007, millers and traders have imported 0.873 million bales compared to 0.375 million bales in the corresponding period last year. The domestic textile industry requires the import of all grades of cotton, including long and medium staple varieties from the United States. Pakistan remains among the top importers of U.S. Pima cotton.

During July-September 2007, cotton exports from Pakistan have also surged, registering 22,004 bales against 13,493 bales in the same period in 2006. The rising export figure will not affect the domestic market requirements. Pakistan production is mainly from medium to medium-long staple cotton varieties which are not suitable for the production of fine and superfine yarns.

Stocks

Ending stocks have been reduced based on the revised lower production estimate.